

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 12/20/2019

Employer Identification Number:

Contact person - ID number:

Date: September 24, 2019

Contact telephone number:

LEGEND
T = Number
U = County
W = County
X = County
Y = County
Z = State

UIL: 4945.04-04

Dear :

You asked for advance approval of your educational grant/loan procedures under Internal Revenue Code Section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational grants/loans. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants/loans meet the requirements of Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates that you will operate an educational grant program. The purpose of the program is to award grants to improve and enhance faculty members' teaching skills and talents at independent schools located in the counties of U, W, X, and Y in the state of Z.

You will publicize the availability of the grants at independent schools located in the counties of U, W, X and Y in your state. You will prepare informational emails which advertise the existence of the grant program and work with school administrators to distribute the emails to all faculty members. You may also place advertisements in educational publications.

Applicants will submit written applications with grant proposals. You require the application to include general biographical information as well as specific information about the purpose(s) for which the grant is being sought. The general biographical information includes the applicant's name, address, phone number, email, school employed by, years teaching, and courses and grade levels taught. Specific information requested about the purpose(s) for which the grant is being sought include:

- A summary explaining the purpose for which the grant is requested
- A detailed project description, including the goals of the project
- A description of the way the success of the project will be measured
- A budget for the project and a schedule of when the requested funds are needed
- A list of the other potential sources of funding for the project
- A statement certifying that the applicant will provide all requested follow-up information including a final report, and
- A statement certifying that the proposed project will comply with all applicable local, state, federal anti-discrimination laws.

You anticipate T faculty members will apply for grants and approximately percent will be selected to receive grants annually. You will select recipients based on your review of the applications and grant proposals submitted by applicants. Grant recipients will be selected from eligible applicants based on the following:

- The quality of their application and grant proposal
- The purpose for which the funds are needed
- How the grant, if fulfilled, will further your mission
- The impact the funds will have towards carrying out your mission versus the financial investment you are being asked to make
- The availability of funds, and
- Other sources of potential funding from which the applicant could receive funds.

Your selection committee consists of the members of your governing board, none of whom can derive a private benefit, directly or indirectly, from a potential recipient. Furthermore, none may have business or familial relationships with any applicant. Your governing board is comprised of community leaders in your area. The community leaders were selected based on their knowledge of and dedication to independent PreK-12 education. Any vacancies on the board are filled by a majority vote of the remaining board.

You will determine the number and amount of the grants to award each year depending on your available resources. You will also determine annually if it will be more beneficial to give more grants of a lower amount or fewer grants of a larger amount.

You will disburse funds directly to the grant recipients with the direction that funds are to be used only for the purpose for which it was made. Recipients are required to expend all grant money received within six months to one year of receipt. You require grant recipients, upon completion of the undertaking for which the grant was made, to submit a final report describing his or her accomplishments with respect to the grant and accounting for the funds received under this grant.

Grant recipients will provide evidence of the improvement of their teaching skills or talents by providing a comprehensive final report at the end of their development project. Faculty are to describe and reflect on their development projects, their experiences during the project, and their professional growth. Information to be included in the final report include:

- Recipient's name, address, phone number, and email
- A description of the measurable goals of the project including benchmarks for success
- A description of the recipient's success in achieving the goals
- A summary of the recipient's accomplishments with respect to the grant, including lessons learned and professional growth obtained from the project
- A statement concerning the completion of the project including completion date of the project
- A statement as to what portion of the grant funds provided were used for the project. If less than all the grant funds provided were used, a statement regarding the expected date of the return of those unused funds, and
- An accounting of the receipt and expenditure of the grant funds.

You will take the following steps to ensure that no grants are made to disqualified persons:

- Your application states that disqualified persons are ineligible to apply for grants.
- You will inspect all applications to ensure that no applicants are disqualified persons. You will maintain a list of disqualified persons. If an applicant is a disqualified person, their application will be returned with a letter stating that they are ineligible because they are a disqualified person.
- You will distribute a list of potential grant recipients among your governing board to ensure that no disqualified person is included on the list. If a disqualified person is found on the list, he/she will be disqualified, and their application will be returned with a letter stating that they are ineligible to apply because they are a disqualified person. No grant recipient will receive notice of their award or receive any funding until the governing board have conducted this final review of the potential recipients to ensure that no disqualified persons have been selected as recipients.

You will investigate if a final report submitted to you or if other information (including a grant recipient's failure to submit a grant report) indicates that all or any part of the grant was not used in furtherance of the purposes for which the grant was awarded.

In cases where you determine that any part of a grant has been used for improper purposes, you will take all reasonable and appropriate steps (including legal action where appropriate) to recover the grant funds or to ensure the restoration of the funds and the dedication consistent with the requirement of subparagraphs (b)(2) and (3) of Treasury Regulation Section 53.4945-4(c)(4)(iii) of other grant funds held by the grant recipient to the purposes being financed by the grant. Any legal action taken will include enforcement of the terms of the grant agreement.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
 - A scholarship or fellowship subject to Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only the grant/loan program described above. This approval will apply to succeeding grant/loan programs only if their standards and procedures don't differ significantly from those described in your original request.

- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot make grants/loans to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant/loan distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements